



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 4/3/2002

GAIN Report #JA2515

Japan

Market Development Reports

Food Business Line

Periodic Press Translations from ATO Tokyo

2002

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Report Highlights: A summary of current news reports in America's largest food and agricultural export market as translated from Japan's mass media and food press. This issue includes: Daiei to close 60 outlets and cut 1,400 employees by the end of August; Costco and Carrefour plan to open joint shopping center near Osaka next spring; Co-op Kanagawa to remodel stores into more unique food-oriented supermarkets, including imported fruit and vegetables; Seiyu has started new "environmentally safe" labeling system for many of its food products; new coffee shop outlets boost total sales of Japan Foodservice Association members in January, while same-store sales decline for 55th consecutive month; Engel's coefficient (share of household expenditures on food) for Japan hit an all-time low in 2001; and health foods have grown into a \$5 billion market.

Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

Tokyo ATO [JA2], JA



Food Business Line

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Vol II, Issue 5 Feb 22 - March 8, 2002

Retail/Wholesale

- *Daiei* has decided to close 60 outlets and cut 1,400 employees, a number larger than previously announced, by the end of August in order to accelerate its restructuring. (a 2/23)
- *Costco* and *Carrefour* are planning to open a joint shopping center in Hyogo Prefecture (near Osaka) next spring. (a 2/24)
- *Co-op Kanagawa* plans to remodel its stores into more food-oriented supermarkets. It plans to reduce the number of household items and Co-op branded products it carries, while increasing its line of unique food products, such as local *sake*, herbs, *miso* soybean paste, olive oil, and imported fruit and vegetables. More than 1.5 times the usual start-up cost was spent on two new stores scheduled to open in Fujisawa and Hatano in March. (a 3/7)
- On March 7, *Seiyu* started a new system of labeling the food products it carries as "environmentally safe." For starters, the system covers 183 fresh fruits, vegetables, seafood, processed foods and *sozai* side dish products. Examples include low pesticide vegetables, fish caught in Japan's home waters where there are less effects from the fuel of fishing vessels, and vegetables with non-standard imperfections. (a 3/7)
- According to the *Japan Department Store Association*, sales of member stores in January declined 0.7% on a same-store basis compared to the same month last year. Similarly, according to the *Japan Chain Stores Association*, sales of member companies in January declined 2.8% on a same-store basis, which is the 38th consecutive month of decline. The decline was mainly due to a 6.4% drop in clothing and a 4.2% decline in household products sales during the period, while food sales fell less than 1%. (a 2/26)
- *Aeon* (formerly *JUSCO*) announced on February 26 that it will purchase approximately 50 stores from the recently failed supermarket company, *Kotobukiya*, formerly the largest supermarket retailer in the Kyushu region. (a 2/27)
- A number of major department stores in the Tokyo area are remodeling their stores to further strengthen their food and working women's apparel departments, the two main areas which have been doing relatively well despite an overall decline in sales and the sagging economy. (a 2/27)

Food Service

- According to the *Japan Food Service Association*, sales of member companies in January compared to the same month last year increased 4.5% on a total-store basis, due in part to the opening of new coffee shop outlets. However, sales on a same-store basis declined 3.4%, which is the 55th consecutive month of decline. Beef-related restaurants and fast food chains are still suffering from reduced sales brought about by the detection of BSE, while Japanese and Chinese-style family restaurants did well during the period. (b 2/26)
- Steak restaurant chain *Volks* plans to introduce 13 non-beef menu items (pork and chicken) starting March 5. *Volk's* total sales declined roughly 10% during the January-March term in 2002 compared to the same period the previous year, due to the detection of BSE. (b 2/26)

- *Royal* announced it will start using *Ryoshoku* food wholesaler for all of its food ingredients distribution. The management of the four distribution centers currently owned by *Royal* will be transferred to *Ryoshoku* by the end of 2002. (c 2/27)

Food Processing/New Products/Market Trends

- According to Japan's Public Management Ministry, Engel's coefficient (share of total household expenditures on food) for Japan hit an all-time low in 2001 of 23.2% due to lower expenditures on food stemming partly from the increasing number of smaller-sized nuclear families and consumers avoiding beef products and dining out after the detection of BSE. (a 2/26)
- Health foods have grown into a 541.6 billion yen (\$5 billion) market in 2000, a 6.1% increase over 1999, and a 30% increase since 1995, according to the *Yano Economic Research Institute*. Mail order and internet sales of health food products increased 15.4% in 2000 over the previous year. Not only supplements, but also products using beer yeast have been gaining popularity recently. (b 2/28)
- *Asahi Beer* announced on February 18 that it will take over the liquor business of *Kyowa Hakko Kogyo*. Along with the merger of *Nikka Whisky* last year, *Asahi Beer* plans to further strengthen its liquor business, while *Kyowa* plans to concentrate on its medical and bio-chemical businesses. (f 2/21)
- Bread products made from rice flour have been increasing recently. Rice flour was originally developed by the *Niigata Prefectural Agriculture Research Center* and has been used in products such as butter rolls, curry bread, and hot dog buns, which are selling well in coffee shops and fast food restaurants. (c 2/25)
- Caramel flavored products, such as caramel bread, caramel ice cream, and caramel coffee, have been gaining popularity recently. Even non-food products, such as body lotion containing caramel, are selling well at *Odakyu* department stores. (a 2/23)
- *Showa Sangyo*, a high fructose corn syrup manufacturer, is resuming imports of U.S. corn in May after a year-and-a-half ban brought about by the detection of an unauthorized corn variety. (a 2/27)
- Major beef wholesaler *Starzen* admitted on February 27 that it had violated the JAS labeling law by disguising ordinary pork as higher-priced Japanese *kuro buta* "black pork." The product was sold in major supermarkets within the Kyushu region. (a 2/28)
- In addition to disguising pork, *Starzen* admitted to disguising lower-priced beef and chicken as upscale brand-name products, such as Saga-grown *Shira-ishi-gyu* beef and *Mitsuse-dori* chicken. (a 3/2)
- *Green Co-op*, a coalition consisting of 11 *Co-ops* from Kyushu, Yamaguchi, and Hiroshima prefectures, announced on March 6 that their contractor, *Zaoo Foods* in Tokyo, has been repacking *Zaoo-dokei* frozen chicken and extending the expiration date on the product's label by three months. *Co-op* is considering a law suit against *Zaoo Foods* for breaking their agreement by shipping chicken that is more than three months past its use-by date. (a 3/6)
- On March 6, *Zenno Chicken Foods* admitted to disguising 233 tons of chicken which had been fed antibiotics as being antibiotic-free. The chairman of *Zenno Chicken Foods* also announced his resignation. (a 3/7)

ATO/Cooperator/Competitor Activities/Trade Shows

- Following news coverage about Hawaiian papayas being genetically modified, *Dole Japan* announced on January 30 that it only sells Philippine papayas, which are non-GMO. (c 2/20)
- Foodex Japan 2002 will be held March 12-15 at Makuhari, Chiba, with approximately 2,050 exhibiting companies in 3,327 booths from 77 countries and 3 regions. This year's theme is "The Largest Food and Beverage Trade Show in the Asia and Pan Pacific Region." From the United States, not only wine, nuts, berries, and natural and organic products will be promoted, but also new products, such as micro-brewery beers and coffees, will be exhibited. (c 3/6)
- The *Raisin Administrative Committee* held a technical seminar on February 26 at the *Nisshin Seifun* factory center in Kobe to promote new bread recipes using California raisins. About 100 technicians from the bread and confectionery industries attended the seminar. (c 3/8)

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Sources

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| (a) The Japan Economic Newspaper | (b) The Nikkei Marketing Journal |
| (c) The Japan Food Journal | (d) The Beverage & Food News Commentary |
| (e) The Japan Food News | (f) The Food Industry News |

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